In addition, they suggest that the plan would be difficult to carry out, since most benefits to dual recipients would require recalculation. Others argue that the nation owes more to veterans disabled as a result of service than to other disabled persons, making the suggested limitations inappropriate for veterans.

CHANGE CIVIL SERVICE RETIREMENT COST-OF-LIVING ADJUSTMENTS (A-600-j)

Savings from CBO Baseline	Annual Savings (millions of dollars) 1983	1984	1985	1986	1987	Cumulative Five-Year Savings
Budget Authority	38	279	610	919	1,240	3,086
Outlays	273	904	1,617	2,350	3,103	8,247

Cost-of-living adjustments (COLAs) for some 1.8 million civil service annuitants are paid by the government each year and recover 100 percent of the increase in the Consumer Price Index (CPI). The federal retiree COLA is superior to most such adjustments available to private-sector annuitants, and in recent years has resulted in percentage increases for retirees that exceed the percentage pay increases for active white-collar employees. If private-sector practices were followed, federal COLAs would average 33 percent of the change in the CPI for annuitants under age 62 and about 70 percent for annuitants aged 62 and older. Adopting such a change would yield 1983-1987 savings of $8.2 billion.

The 1981 reconciliation act decreased the frequency of federal retirement COLAs from twice a year to once. Various studies of post-retirement COLAs suggest that federal retirees will nevertheless continue to receive better protection against inflation than is generally available in the private sector. As a group, private pension plans provide COLAs that, over a period of years, may recover about a third of the CPI rise.

The typical private-sector retiree is also eligible for Social Security retirement benefits at age 62. Those benefits are adjusted annually for 100 percent of CPI rises; in combination with private pension benefit adjustments covering a third of CPI rises, the result is to offset about 70 percent of benefit erosion caused by inflation. Proponents of this option argue that it would be fair to provide similar protection to federal retirees, and no more. It follows that federal retirees under age 62--like their age counterparts in the private sector--would have their COLAs limited to 33 percent of CPI changes.

Opponents of this proposal would characterize it as arbitrary and unfair. They could argue that, if compensation comparisons are applicable, looking only at retirement benefits, while ignoring pre-retirement pay disparities between federal and private-sector employees performing similar work, is misleading. They also point out that federal annuities are subject to income tax, while Social Security benefits are not; and finally, that the federal government should be a model employer, not one bound by the substandard practices that enter into any comparison with private pension plans.

REFORM FEDERAL WORKERS' COMPENSATION PROGRAM
(A-600-k)

Savings from CBO Baseline	Annual Savings (millions of dollars) 1983	1984	1985	1986	1987	Cumulative Five-Year Savings
Budget Authority	52	56	54	51	47	260
Outlays	52	56	54	51	47	260

Civilian federal workers are covered by the Federal Employees' Compensation Act (FECA), similar to states' workers compensation programs covering job-related illness, injury, and death. The General Accounting Office has concluded that the FECA program is being abused, both in initial eligibility determinations and in the continuation of benefits to "medically recovered" employees.

Last year, the Administration proposed a comprehensive reform of the FECA program, the main feature of which would reduce an injured worker's maximum benefit from 75 percent of gross pay to the equivalent of 80 percent of net pay--wages less federal and state income tax withholdings and retirement contributions. Enactment of a proposal similar to the Administration's could result in cumulative five-year savings of about $260 million.

The argument for FECA reform is that current benefit levels, in combination with administrative rules and practices, have induced a volume of approved claims inconsistent with the size and composition of the federal workforce. Since 1970, the size of the federal workforce has remained relatively stable, but the number of employees in jobs most vulnerable to work-related injuries--postal and blue-collar workers--declined by about 16 percent. The number of new FECA claims filed yearly (as a percentage of total federal employment) rose about 85 percent, however, helping to push the annual cost of FECA from $118 million in 1970 to about $930 million in 1981.

Opponents of this proposal argue that the government should devote more effort to warding off questionable claims, and not lower benefits for workers with undisputed job injuries and continuing disabilities.

MODIFY CERTAIN CIVIL SERVICE RETIREMENT BENEFIT PROVISIONS (A-600-1)

Savings from CBO Baseline	Annual Savings (millions of dollars) 1983	1984	1985	1986	1987	Cumulative Five-Year Savings
	Change Initial Benefit Calculation					
Outlays	50	160	270	380	500	1,360
	Reduce Early Retirement Benefit					
Outlays	5	20	50	90	140	305
	Increase Annuity Reduction for Survivor Coverage					
Outlays	30	90	150	210	280	760
Combined Outlay Savings a/	80	260	450	660	880	2,330

NOTE: Impacts on budget authority are not projected because benefit changes would affect CSR trust fund income levels only indirectly and not to a great degree.

a. Reflects overlapping reduction efforts.

Several benefit provisions of the Civil Service Retirement (CSR) system, which disburses annuities for retirees from federal civilian employment and their survivors, contribute to the program's relatively high costs. In 1983, CSR outlays are expected to total $22.0 billion and are projecteed to reach $31.6 billion in 1987. During this period, some $22.3 billion will be spent for new annuitants. Three possible modifications affecting benefits, if taken together and made effective in 1983 for new retirees only, could yield a five-year savings of more than $2.3 billion. The changes considered here would alter the method of calculating initial CSR benefits, reduce pensions for people electing early retirement, and increase the already extant annuity reduction that allows for survivor coverage.

The determination of initial benefits is based in part on an employee's three years of highest earnings--commonly referred to as "high three." A high-five basis is much more common in the private sector, at least for white-collar employees, and was the basis used before 1970 in computing CSR annuities. Savings from instituting a high-five basis for calculating initial CSR benefits could accumulate to $1.4 billion by the end of 1987.

Under CSR, federal employees may retire as early as age 55 with no reduction in earned benefits. This contrasts sharply with retirement in the private sector, primarily because Social Security retirement benefits cannot begin before age 62 and are reduced by 6-2/3 percent for each year the retiree is short of age 65. A reduction could be imposed for early federal retirement at reduced annuity levels, ultimately equal to 2 percent for each year an employee retires before age 65. Reductions would be phased in--over 20 years, for example--to limit cost increases associated with employees' accelerating retirement plans to avoid impending benefit reductions, and in recognition of the fact that people make long-term plans on the basis of current rules. Some observers might, however, criticize the reduction as not going far enough, since full actuarial reductions in CSR benefits would equal approximately 57 percent at age 55, 36 percent at age 60, and 24 percent at age 62. But even the lesser reduction discussed here--a major departure from the early-retirement provisions of current law--would make possible a five-year savings of $0.3 billion.

In order to provide survivor coverage for their spouses, federal civilian retirees may elect reductions in their initial annuities equal to 2.5 percent of the first $3,600 otherwise payable, plus 10 percent of amounts above $3,600. This reduction is the same for all annuitants, regardless of the ages of retirees and spouses. To conform with private-sector practices, the CSR reductions for survivor coverage could be based on actuarial factors that would determine each reduction according to the actual ages of the retirees and their spouses. This would not only lead to 1983-1987 savings estimated at $0.8 billion, but also would correct the inequity in the current system: as a group, married retirees electing spouse coverage receive higher benefits in the long run than other retirees not making or having the same choice, including both married and single employees with identical work histories.

CONFORM CERTAIN CIVIL SERVICE RETIREMENT PROVISIONS TO RECENT SOCIAL SECURITY ADJUSTMENTS
(A-600-m)

Savings from CBO Baseline	Annual Savings (millions of dollars) 1983	1984	1985	1986	1987	Cumulative Five-Year Savings
Budget Authority	a/	a/	a/	a/	a/	a/
Outlays	15	26	36	45	50	172

a. Impacts on budget authority are not projected because benefit changes would affect CSR trust fund income levels only indirectly and not to a great degree.

The Civil Service Retirement (CSR) program provides survivor benefits to some 17,800 students between ages 18 and 22 as well as guaranteed minimum benefits to some 19,500 retirees, most of whom are foreign nationals formerly employed abroad by the U.S. Government. The CSR minimum benefit guarantees that annuitants with five or more years of service will receive a payment at least equal to the minimum amount guaranteed under Social Security--at present, some $122 per month for new retirees.

The 1981 reconciliation act eliminated both types of benefits for Social Security annuitants, but not for CSR annuitants. The Congress later reinstated the minimum benefit, however, but only for Social Security annuitants who were receiving it before January 1, 1982; in general, new retirees will not be eligible. If CSR provisions were changed to phase out benefits for student survivors, as was done for Social Security dependents, and the minimum CSR benefit were ended for new retirees, cumulative five-year savings could reach $172 million. (Elimination of student benefits in other federal entitlement programs such as military retirement and veterans' benefits could generate another $0.3 billion in cumulative five-year savings.)

The cancellation of most CSR benefits for student survivors would follow the changes recently enacted for Social Security, but the implementation schedule would lag by a year. Beginning on October 1, 1982, no new awards would be granted for student survivors; benefits for students already on the rolls would be eliminated, however, through equal reductions over a four-year period. Also consistent with the Social Security changes, student cost-of-living adjustments and summer payments would stop in 1983.

Were it not for the guaranteed minimum, the CSR annuity earned by most foreign nationals from overseas service would be based on local prevailing wages and thus would be relatively low by U.S. standards. In most cases, however, the minimum benefit has the effect of providing such individuals with post-retirement income exceeding that of active employment. If the CSR minimum were discontinued as of October 1, 1982, outlay savings could reach $11.3 million through 1987.

Proponents of eliminating the guaranteed CSR minimum for foreign nationals point out that it is much more generous than necessary to recruit and retain the desired workforce--so much so that it offers no incentive to most employees to continue working once they become eligible for retirement. Opponents of eliminating the CSR minimum and student survivor benefits believe that many individuals would face financial hardship. But similar benefits have been eliminated from the Social Security system, and there is no analytical basis for treating government retirement differently.

CHANGE PROCEDURE FOR DETERMINING SUBSIDY PAYMENTS
IN THE SECTION 8 HOUSING ASSISTANCE PROGRAM
(A-600-n)

Savings from CBO Baseline	Annual Savings (millions of dollars) 1983	1984	1985	1986	1987	Cumulative Five-Year Savings
Budget Authority	460	500	540	575	605	2,680
Outlays	0	15	30	45	65	155

By the end of 1982, the federal government will have made long-term subsidy commitments to pay a share of the shelter costs of more than 1.8 million lower-income households through the Section 8 rental assistance program. Under this program, lower-income persons can lease privately owned housing units in structures that are newly built or already existing, but only so long as the rent charged is within federally established maximums. Assisted households pay a fixed portion of their adjusted incomes toward their housing expenses--now set at 25 percent for most recipients, but due to rise to 30 percent by 1986. The federal government then pays the property owners the difference between the tenants' contributions and the actual rents charged.

Significant savings could be achieved under the Section 8 existing-housing program by altering the procedures used to determine the subsidy payments. The federal subsidy could be set at a level equal to the difference between some percentage of each tenant's income and a benchmark amount corresponding to the cost of modest-priced physically standard housing; at the same time, households would be permitted to rent units costing more than those benchmark amounts where the families were willing to pay the additional expense themselves. Under such a scheme, households renting less costly dwellings would be permitted to realize the full savings.

Such a change would give assisted families a wider range of units to choose from and could also reduce federal outlays if the subsidy caps were set at levels lower than the present rent maximums. Because the subsidy caps would no longer constrain families' housing choices, the caps could be lowered without foreclosing large shares of local housing markets. If the subsidy on future assistance commitments were capped at a level 10 percent lower than present maximum rents, outlay savings would total $155 million through 1987. Appreciably larger savings could be achieved if this change were applied to outstanding assistance commitments as well.

Although this change would expand recipients' housing choices and reduce federal outlays, it would also increase families' housing-cost burdens. Indeed, some opponents of such a change might argue that a policy offering low-income families an opportunity to rent more expensive housing while lowering their financial ability to do so would involve an unbalanced tradeoff.

FUND CHILD NUTRITION PROGRAMS WITH A BLOCK GRANT
(A-600-o)

Savings from CBO Baseline	Annual Savings (millions of dollars) 1983	1984	1985	1986	1987	Cumulative Five-Year Savings
Budget Authority	0	1,330	1,450	1,560	1,660	6,000
Outlays	0	1,290	1,410	1,520	1,620	5,840

Federal outlays for child nutrition programs will reach $4.3 billion in 1982, with state and local sponsors spending about the same amount. Nine major programs, using at least 37 different reimbursement schemes, now serve more than 26 million children and are administered by a wide variety of organizations and school districts volunteering to participate. Although the Congress, through the 1981 reconciliation and appropriation acts, reduced the 1982 budget authority for these programs by about $1.45 billion (or 26 percent), they remain fragmented, duplicative, and administratively complex.

Instead of continuing the present approach, funding a block grant at 75 percent of the federal government's estimated 1983 child nutrition costs and indexing it thereafter for inflation, would reduce outlays by about $5.8 billion during the 1983-1987 period. (No 1983 savings have been included, to allow for a planning and transition period).

Proponents of this scheme argue that a block grant to the states would simplify administration, enhance state and local flexibility, and permit federal savings without reducing nutrition assistance to needy children. At present, about 12 million children from families with incomes over 185 percent of the poverty level ($13,080 for a three-person family in 1982) receive federal child nutrition subsidies. If nonpoor children no longer received benefits, block grant proposals would not necessarily result in less nutrition assistance for poor children.

Opponents argue that a funding cut of 25 percent would far exceed the savings from consolidating administration and ending the eligibility of nonpoor children. They also contend that states might continue to assist these children, so the block grant would either lead to a cutback in assistance to poor children or give rise to pressure for an increase in federal support. Since funding for child nutrition programs has already been significantly reduced, further cuts might cause reductions in services below minimally adequate levels of nutrition.

INCLUDE MINOR SIBLINGS IN THE AFDC ASSISTANCE UNIT
FOR COMPUTING BENEFITS
(A-600-p)

Savings from CBO Baseline	Annual Savings (millions of dollars) 1983	1984	1985	1986	1987	Cumulative Five-Year Savings
Budget Authority	63	64	67	70	73	337
Outlays	63	64	67	70	73	337

Parents receiving benefits under the Aid to Families with Dependent Children (AFDC) program may choose to exclude minor children in the household from the unit used for computing AFDC payments. It can, in some instances, be advantageous for beneficiaries to exclude children who have some income, if the net effect of counting the children (and their incomes) in the benefit computation would be lower benefits for the households as a whole. Income received by such children might include, for example, child support payments, Social Security survivor's benefits, and the children's own earnings. If all such children living in the same household as siblings or half-siblings who are counted in the AFDC unit also had to be counted, savings in the AFDC program might be as high as $300 million over the next five years, and about 90,000 families could be affected by this proposal.

Total federal savings under this proposal would be much less than those shown in the table above, however, because the decline in AFDC benefits would cause an increase in outlays for both food stamps and housing assistance. These offsetting outlays could increase by as much as $35 million in 1983, and they would thus reduce the AFDC savings by roughly half.

The rationale for this proposal is that siblings living in a household with children who are currently part of an AFDC unit are, in fact, likely to be part of the same family. One can argue, therefore, that any income they receive should be included in family income for the purpose of determining benefits.

On the other hand, under this proposal, income provided for the support of a particular child--for example, by an absent parent--would be assumed to be available for the support of the recipient child's siblings and half-siblings, even if they are unrelated to the parent making payments. This could discourage some parents from contributing to the support of their children, since their payments would no longer augment the total resources available to the family. Also, the children's own earnings, even if used entirely for their own support, would have to be counted as part of total family income if the children were 16 to 18 years old and not in school. (The earnings of those children in school would continue to be exempt under this option.) Some hardships would result, if the income received by one child were not in fact available for the support of other children in the household.

END VA COMPENSATION TO VETERANS WITH 10 PERCENT OR LESS DISABILITY
(A-700-a)

Savings from CBO Baseline	Annual Savings (millions of dollars) 1983	1984	1985	1986	1987	Cumulative Five-Year Savings
Budget Authority	700	740	800	860	920	4,020
Outlays	640	740	800	860	920	3,960

Veterans' disability compensation provides benefits to veterans for service-connected disabilities based on the degree of their physical impairment. This option would eliminate benefits to veterans whose combined disability is 10 percent or less. About 700,000 veterans would be affected, practically all of whom are now paid $58 monthly; a few receive up to $69 a month. Enactment of this proposal would result in 1983-1987 savings of nearly $4 billion.

If this program is viewed as compensating for the lost earning capacity that results from injury during military service, little argument can be made in favor of retaining benefits at the 10 percent or zero percent levels. The conditions for which a 10 percent rating is assigned (such as superficial varicose veins below the knee, mild gastrointestinal ulcers that only give rise to symptoms once or twice a year, or loss of the sense of taste) do not significantly affect a person's ability to work. Zero percent ratings represent, for the most part, persons with tuberculosis that has been completely arrested. These veterans can claim no ongoing disability at all.

If, on the other hand, disability benefits are viewed as compensation for the pain and suffering of a service-related injury or disease, the degree to which earning capacity is affected is not particularly relevant.

CLOSE CERTAIN VA HOSPITALS
(A-700-b)

Savings from CBO Baseline	Annual Savings (millions of dollars) 1983	1984	1985	1986	1987	Cumulative Five-Year Savings
Budget Authority	340	350	360	375	390	1,815
Outlays	340	350	360	375	390	1,815

The Veterans Administration hospital system provides care for certain veterans, as space is available, according to the following statutory schedule of priorities:

1. Veterans with service-connected disabilities, for the treatment of those disabilities.

2. Veterans with service-connected disabilities rated 50 percent or more, for the treatment of unrelated conditions.

3. Veterans with service-connected disabilities rated less than 50 percent, for the treatment of unrelated conditions.

4. Veterans who are former prisoners of war.

5. Veterans aged 65 or older or who are unable to pay the cost of necessary care.

This option would effect a 10 percent reduction in the number of VA hospital beds by closing 30 of the smallest and least crowded of VA acute care facilities. It assumes that 40 percent of the resulting savings would be returned to the remaining hospitals to allow them to increase their patient loads and, thereby, partially offset the impact of the closings. Some of the funds would be required to pay increased beneficiary travel costs for veterans who would have to travel greater distances to a VA facility. The estimate of savings does not reflect any savings or costs that could result from the sale or conversion to another use of the closed hospitals. Nor does it reflect any offsetting increase in Medicare or Medicaid costs.

Many of the previous attempts to reduce VA medical care costs have involved reductions in funding for medical or support staffs or for equipment. Such an approach can potentially erode the quality of care provided in all VA hospitals. Closing some of the less efficient hospitals would not affect the level of care provided in the remaining facilities. Of the 30 hospitals assumed to be closed, most have fewer than 400 beds and many have occupancy rates of less than 70 percent. Since many of the remaining VA hospitals do not operate at full capacity, much of the patient load from the closed facilities could be accommodated elsewhere in the system.

Opponents of this option will argue that some eligible veterans might be denied VA care altogether as a result. While this could happen, the remaining 146 hospitals should be more than adequate to handle the needs of all service-disabled veterans, who constitute less than 30 percent of VA hospital patients. Veterans denied care would be among those in the lowest priority category, aged 65 or older or unable to pay for their care. The majority of these veterans would be eligible for assistance from Medicare and Medicaid and, therefore, should not suffer undue hardship.

DISCONTINUE DONATION OF SURPLUS FEDERAL PROPERTY
(A-800-a)

Savings from CBO Baseline	Annual Savings (millions of dollars) 1983	1984	1985	1986	1987	Cumulative Five-Year Savings
Budget Authority	30	40	40	40	40	190
Outlays	30	40	40	40	40	190

The General Services Administration (GSA) disposes of surplus real property that the federal government owns but that no agency needs any longer. At present, an estimated $1.2 billion in property has been declared excess by federal agencies and has potential for disposal. Surplus property is first offered to state and local governments and to certain not-for-profit organizations, free of charge if it is to be used for purposes such as recreation, health, and education; if the property is to be used for other purposes, a price is negotiated. Remaining property is then sold publicly to the highest bidder. Donations now total about 50 percent of the value of a year's disposals, negotiated sales about 40 percent, and competitive sales 10 percent. If donations to state and local governments were discontinued, budgetary savings from additional receipts might total about $190 million through 1987.

Legislation to discontinue federal property donations would be opposed by state and local governments, already suffering loss of federal support resulting from other budget cuts. Proponents would argue, however, that the current process amounts to a GSA grant-in-aid program, and that the government's property disposal activities should instead be conducted as business dealings. Moreover, requiring purchase of property would necessitate more careful assessment of public organizations' needs and would help to ensure that property is put to the best use.

Some observers would suggest that simply eliminating property donations would not go far enough to reform GSA's disposal procedures. The General Accounting Office has found property disposals slow. The process could be shortened by improving records and program monitoring, as well as by greatly reducing the number of extensions granted for submission of bids. Other critics of the present disposal process point out that individual agencies are reluctant to review their property requirements critically and to declare excess holdings. Whether implemented administratively or through Congressional mandate, streamlined procedures and more vigorous review would meet with little opposition and could generate additional federal receipts. Any estimate of additional revenue from accelerated disposal actions is subject to considerable uncertainty in view of changing market conditions.

END GENERAL REVENUE SHARING FUNDING FOR JURISDICTIONS WITH STRONG FISCAL CONDITION
(A-850-a)

Savings from CBO Baseline	Annual Savings (millions of dollars) 1983	1984	1985	1986	1987	Cumulative Five-Year Savings
Budget Authority	910	980	1,040	1,100	1,170	5,200
Outlays	680	950	1,020	1,090	1,150	4,890

The General Revenue Sharing (GRS) program, established in 1972, provides unrestricted grants totaling $4.6 billion annually to units of local government. State governments also participated until 1981, when their share was eliminated on the ground that their fiscal condition no longer warranted general federal support. A similar approach could be used to cut GRS funding by 20 percent, saving about $1 billion a year, and end payments to local governments in relatively strong fiscal condition.

Such jurisdictions could be identified in a number of ways. Local governments with both below-average tax effort and above-average capacity to support services could be dropped. Alternatively, state governments could be invited to submit proposals for distributing GRS funds among fiscally distressed localities.

The impact of enacting this option would depend on the responses of governments losing GRS. If they chose to replace the lost funding by raising local taxes, property and sales tax revenue would likely replace income tax revenue, making the overall tax system of the United States less progressive. Many might instead reduce local services. Since the federal government is already asking local governments to assume a larger role in financing public services at a time when many are experiencing revenue shortfalls, withdrawing GRS could produce fiscal stress even in relatively well-off places.